Oriental & Motolite Marketing Corp v Syarikat Asia Bateri Sdn Bhd

HIGH COURT (KUALA LUMPUR) — SUIT NO D-22IP-51 OF 2010
HANIPAH FARIKULLAH JC
10 APRIL 2012

Contract — Assignment — Assignment of trademarks — Deed of assignment ('DOA) failed to comply with defendant's director's circular resolution — Whether DOA invalid — Whether indoor management rule would apply — Whether plaintiff legal owner of trademark through DOA — Distributorship agreement — Whether plaintiff in breach of agreement

Evidence — Affidavit — Affidavit evidence — Admissibility of — Maker of affidavits not able to attend court — Whether affidavits admissible under s 73A of the Evidence Act 1950

Trade Marks — Registered trademarks — Action for infringement — Whether plaintiff was legal owner of trademark — Whether trademark on defendant's batteries resembled plaintiff's trademark — Passing off — Whether plaintiff had acquired goodwill in trademark — Whether there was passing off

The plaintiff, a company incorporated in the Philippines, was at all material times the distributor and exporter of automotive batteries bearing the MOTOLITE and 'running man' device trademarks since the 1950s. Since 2000, the plaintiff had supplied automotive batteries to Malaysia through the defendant, a Malaysian incorporated company, as its distributor. When the plaintiff sought to apply to register the trademarks of MOTOLITE and the 'running man' device in Malaysia, it discovered that the defendant had applied to register a similar trademark ie the words MOTOLITE ('the MOTOLITE trademark'). In order to resolve the matter and to continue with their business relationship, the parties then entered into a deed of assignment ('the DOA'), by which the defendant assigned all its rights and interests in the MOTOLITE trademark to the plaintiff, and a memorandum of understanding ('the MOU'), by which the plaintiff appointed the defendant as its local distributor of the MOTOLITE batteries for five years from the signing of the MOU unless extended by mutual agreement ('the distributorship agreement'). Following the assignment the plaintiff became the registered proprietor of the MOTOLITE trademark. The plaintiff claimed that when the distributorship agreement between the parties lapsed after five years, the defendant had

continued distributing and selling the MOTOLITE batteries without the plaintiff's permission. The plaintiff therefore filed the present suit for infringement of trademark and passing off against the defendant. In its defence the defendant submitted that the DOA and MOU, through which the plaintiff was assigned the trademark by the defendant, were invalid and thus the plaintiff was not the rightful owner of the MOTOLITE trademark. By way of counterclaim, the defendant sought declaratory relief to this effect, other relief against the plaintiff for alleged infringement of the defendant's trademark, and also for breach of the distributorship agreement. According to the defendant the DOA was not valid and effective in law as it failed to comply with the defendant's director's circular resolution, which required the defendant's common seal to be affixed in the presence of two of the defendant's directors or a director and the defendant's secretary. In response the plaintiff contended that the DOA was valid as the indoor management rule and the doctrine of apparent authority applied in the present case. At the hearing the defendant raised a preliminary objection as to the admissibility of affidavit evidence tendered by the plaintiff on the grounds that this evidence was contrary to s 73A of the Evidence Act 1950 ('Act').

Held, allowing the plaintiff's claim for trademark infringement with costs but dismissing its claim for passing off with costs; and dismissing the defendant's counterclaim with costs:

(1) In light of the fact that both the plaintiff's witnesses were overseas in the Philippines and could not come at short notice to give evidence in person, it was found that the pre-requisites of s 73A of the Act as to the admission of the affidavit evidence had been fulfilled. The affidavits could therefore be taken into account as part of the evidence before this court (see paras 30–31).

(2) The plaintiff was not required in law to enquire whether the defendant had complied with the defendant's director's circular resolution or the defendant's internal management procedures at the time of the execution of the DOA and MOU. The plaintiff would not be in a position to know or be aware of the defendant's internal matters such as the affixing of the common seal in the presence of two witnesses in accordance with the defendant's resolution. On the issue raised by the defendant that the defendant's sole signatory was not duly authorised to execute the DOA, it was apparent from the evidence that the sole signatory was very much the alter ego and at the forefront of the management of the defendant company at the material time. The evidence clearly showed that the defendant had fully intended to effect the assignment of all its rights and interests in the MOTOLITE trademark to the plaintiff and the latter had relied upon that representation in executing the DOA with the defendant. Thus the plaintiff was the legal owner of the MOTOLITE trademark through the DOA (see paras 37 & 43).

(3) There was no provision in the DOA, which was a contemporaneous document, that the assignment was subject to the defendant being the sole distributor of the MOTOLITE batteries in Malaysia or the business relationship between the parties continuing beyond the five year term stipulated in the MOU. Thus, there was no credible ground to conclude that the MOU was invalid (see paras 49, 50 & 55).

(4) There was no merit in the defendant's contention that the plaintiff had breached the MOU when it refused to supply the batteries after September 2006. The evidence showed that the defendant could not agree to the plaintiff's terms and decided not to procure the batteries from the plaintiff. Thus there was no merit in the defendant's counterclaim (see paras 51–54).

(5) The trademark on the defendant's batteries resembled the plaintiff's trademark. Thus the defendant had infringed the plaintiff's MOTOLITE trademark by using this trademark on its own automotive batteries (see paras 64–65).

(6) The plaintiff had neither adduced any credible evidence that it had acquired reputation and goodwill in respect of the trademark nor produced any evidence of sales promotions or advertisements of the plaintiff's trademark. Thus, the plaintiff had failed to establish an act of passing off and its claim of passing off was dismissed with costs (see paras 71–72).

[Bahasa Malaysia summary

Plaintif, sebuah syarikat yang diperbadankan di Filipina, adalah pada kesemua masa material pengedar dan pengeksport bateri-bateri automotif dengan cap dagangan MOTOLITE dan alat 'running man' sejak tahun 1950-an. Sejak tahun 2000, plaintif telah membekalkan bateri-bateri automotif ke Malaysia melalui defendan, sebuah syarikat Malaysia yang diperbadankan, sebagai pengedar. Apabila plaintif cuba memohon untuk mendaftarkan cap dagangan MOTOLITE dan alat 'running man' di Malaysia, ia mendapati bahawa defendan telah memohon untuk mendaftarkan cap dagangan yang sama iaitu perkataan MOTOLITE ('cap dagangan MOTOLITE'). Dalam usaha untuk menyelesaikan perkara tersebut dan meneruskan hubungan perniagaan mereka, pihak-pihak kemudiannya memasuki suatu surat ikatan penyerahhakkan ('surat ikatan'), yang mana defendan menyerahkan semua hak-hak dan kepentingan-kepentingannya dalam cap dagangan MOTOLITE kepada plaintif, dan memorandum persefahaman ('memorandum'), yang mana plaintif telah melantik defendan sebagai pengedar tempatan bateri-bateri MOTOLITE selama lima tahun dari meterainya memorandum tersebut kecuali jika dilanjutkan atas persetujuan bersama ('perjanjian pengedaran'). Berikutan penyerahan tersebut plaintif menjadi tuan punya berdaftar cap dagangan MOTOLITE. Plaintif mendakwa bahawa apabila perjanjian

pengedaran antara pihak-pihak luput selepas lima tahun, defendan telah meneruskan pengedaran dan penjualan bateri MOTOLITE tanpa kebenaran plaintif. Dengan itu, plaintif memfailkan tindakan ini terhadap defendan bagi pelanggaran cap dagangan dan kelirupaan. Dalam pembelaannya, defendan menghujahkan bahawa surat ikatan dan memorandum tersebut, yang mana telah diserahhakkan cap dagangannya kepada plaintif oleh defendan, adalah tidak sah dan seterusnya plaintif bukanlah pemilik yang sah cap dagangan MOTOLITE. Melalui tuntutan balas, defendan memohon relief pengisytiharan bagi tujuan ini, relief-relief lain terhadap plaintif bagi dakwaan pelanggaran cap dagangan defendan, dan juga bagi pelanggaran perjanjian pengedaran. Menurut defendan, surat ikatan tersebut tidak sah dan tidak mempunyai kesan dalam undang-undang kerana ia gagal mematuhi resolusi pekeliling pengarah defendan, yang memerlukan cop mohor defendan untuk dilekatkan dengan kehadiran dua pengarah defendan atau seorang pengarah dan setiausaha defendan. Sebagai balasan, plaintif menghujahkan bahawa surat ikatan tersebut adalah sah kerana peraturan pengurusan tertutup dan doktrin kuasa jelas digunapakai dalam kes ini. Ketika perbicaraan, defendan membangkitkan bantahan awal ke atas kebolehterimaan keterangan afidavit yang dikemukakan oleh plaintif atas alasan bahawa keterangan tersebut bertentangan dengan s 73A Akta Keterangan 1950 ('Akta').

Diputuskan, membenarkan tuntutan plaintif bagi pelanggaran cap dagangan dengan kos tetapi menolak tuntutan untuk kelirupaan dengan kos; dan menolak tuntutan balas defendan dengan kos:

(1) Mempertimbangkan fakta bahawa kedua-dua saksi plaintif berada di luar negara iaitu di Filipina dan tidak boleh hadir dengan notis yang singkat untuk memberi keterangan secara peribadi, diputuskan bahawa keperluan-keperluan s 73A Akta bagi kebolehterimaan keterangan afidavit telah dipenuhi. Oleh itu, affidavit-afidavit tersebut boleh diambil kira sebagai sebahagian daripada keterangan di hadapan mahkamah ini (lihat perenggan 30–31).

(2) Plaintif tidak perlu, di bawah undang-undang, menyiasat sama ada defendan telah mematuhi resolusi pekeliling pengarah defendan atau prosedur pengurusan dalaman defendan ketika pelaksanaan surat ikatan dan memorandum tersebut. Plaintif tidak akan berada dalam kedudukan yang mana dia tahu atau sedar perkara-perkara dalaman defendan seperti pelekatan meterai biasa di hadapan dua orang saksi selaras dengan resolusi defendan. Mengenai isu yang dibangkitkan oleh defendan bahawa penandatangan tunggal defendan telah tidak diberi kuasa untuk melaksanakan surat ikatan tersebut, adalah jelas daripada keterangan tersebut bahawa penandatangan tunggal adalah personaliti kedua dan berada di barisan hadapan pengurusan di syarikat defendan pada masa material. Bukti jelas menunjukkan bahawa defendan telah sepenuhnya bermaksud untuk melaksanakan penyerahakkan kesemua hak-hak dan

kepentingan-kepentingan dalam cap dagangan MOTOLITE kepada plaintif dan ia telah bergantung kepada perwakilan tersebut dalam melaksanakan surat ikatan tersebut dengan defendan. Dengan itu, plaintif adalah pemilik sah cap dagangan MOTOLITE melalui surat ikatan tersebut (lihat perenggan 37 & 43).

(3) Tiada peruntukan dalam surat ikatan tersebut, yang merupakan satu dokumen semasa, bahawa penyerahhakkan adalah tertakluk kepada defendan sebagai pengedar tunggal bateri-bateri MOTOLITE di Malaysia atau hubungan perniagaan antara pihak-pihak yang berterusan di luar tempoh lima tahun telah ditetapkan dalam memorandum tersebut. Oleh itu, tidak ada alasan yang boleh dipercayai untuk menyimpulkan bahawa memorandum tersebut adalah tidak sah (lihat perenggan 49, 50 & 55).

(4) Tiada merit dalam hujahan defendan bahawa plaintif telah melanggar memorandum tersebut apabila ia enggan untuk membekalkan bateri-bateri selepas September 2006. Bukti-bukti menunjukkan bahawa defendan tidak dapat bersetuju dengan terma plaintif dan memutuskan untuk tidak mendapatkan bateri-bateri daripada plaintif. Oleh itu tidak ada merit dalam tuntutan balas defendan (lihat perenggan 51–54).

(5) Cap dagangan pada bateri-bateri defendan menyerupai cap dagangan plaintif. Dengan itu, defendan telah melanggar hak cap dagangan MOTOLITE plaintif dengan menggunakan cap dagangan ini pada bateri-bateri automotifnya sendiri (lihat perenggan 64–65).

(6) Plaintif telah tidak mengemukakan apa-apa keterangan yang boleh dipercayai bahawa ia telah memperolehi reputasi dan nama baik berkenaan cap dagangan mahupun menghasilkan apa-apa keterangan bagi jualan-jualan promosi atau iklan-iklan cap dagangan plaintif. Oleh itu, plaintif telah gagal dalam menubuhkan suatu perbuatan kelirupaan dan tuntutan kelirupaan ditolak dengan kos (lihat perenggan 71–72).]

Notes

For cases on action for infringement, see 12 *Mallal's Digest* (4th Ed, 2011 Reissue) paras 2432–2435.

For cases on affidavit evidence, see 7(1) *Mallal's Digest* (4th Ed, 2011 Reissue) paras 321–332.

For cases on assignment of trademarks, see 3(2) *Mallal's Digest* (4th Ed, 2010 Reissue) paras 2871–2872.

Cases referred to

AG Spalding Brothers v AW Gamage Ltd [1914–15] All ER Rep 147; (1915) 32 RPC 273, HL (refd)

Chew Hock San & Ors v Connaught Housing Development Sdn Bhd [1985] 1 MLJ 350, FC (refd)

Kepong Prospecting Ltd & Ors v Schmidt [1968] 1 MLJ 170, PC (refd)
Pekan Nenas Industries Sdn Bhd v Chang Ching Chuen & Ors [1998] 1 MLJ 465, FC (refd)
Royal British Bank v Turquand [1843–60] All ER Rep 435, Ch C (refd)
Seet Chuan Seng & Anor v Tee Yih Jia Foods Manufacturing Pte Ltd [1994] 2 MLJ 770; [1994] 3 CLJ 7, SC (refd)
Tohtonku Sdn Bhd v Superace (M) Sdn Bhd [1992] 2 MLJ 63; [1992] 2 CLJ 1153; [1992] 1 CLJ (Rep) 344, SC (refd)

Legislation referred to

Contracts Act 1950 ss 2(d), 40
Companies Act 1965 Fourth Schedule Table A art 96
Evidence Act 1950 ss 73, 73A
Trade Marks Act 1976 ss 35(1), 36, 38(1), 82(2)

KC Cheng (Azman Davidson & Co) for the plaintiff.
Khor Chai Koan (Khor, Anuar & Khong) for the defendant.

Hanipah Farikullah JC:

[1] In this action, the plaintiff sues the defendant for infringement of trademark and passing off.

[2] The defendant's defence is that the instruments, through which the plaintiff was assigned the trademark by the defendant, are invalid and thus the defendant, not the plaintiff, is the rightful owner of the trademark. By way of counterclaim, the defendant seeks declaratory relief to this effect and also seeks other reliefs against the plaintiff for alleged infringement of the defendant's trademark.

[3] The defendant also counterclaims that the plaintiff had breached a distributorship agreement, under which the defendant was appointed as local distributor of the plaintiff's batteries in Malaysia.

THE PARTIES

[4] The plaintiff is a company incorporated under the laws of the Philippines with its principal business address at 8/F Ramcar Center, 80–82 Roces Avenue, Diliman Quezon City Metro Manila, Philippines.

[5] It is not disputed between the parties that the plaintiff supplied and delivered batteries to the defendant as distributor from 2000.

[6] The plaintiff is the distributor of Motolite branded products from

Philippines and has been exporting Motolite branded products worldwide since 1979. Its predecessor, CC Unson Company Inc, is the registered proprietor of a 'MOTOLITE' and 'running man' device trademark since 1950.

[7] The defendant is a company incorporated under the laws of Malaysia with its business address at No 307, Jalan Tun Razak, 50400 Kuala Lumpur.

[8] The plaintiff supplied and delivered batteries to the defendant as distributor from 2000 until August 2006.

[9] The parties entered into a deed of assignment and a memorandum of understanding both dated 25 January 2002.

THE WITNESSES

[10] The plaintiff called the following witnesses to support its claim:

(a) Lee Kok Woi ('PW1'), who was with the plaintiff company at the material time, first as deputy country head, and then as general manager; and

(b) Leroi Jones Sabado Aquitania ('PW2') who was the local representative of the plaintiff and is currently seconded to Malaysia as technical and product manager of Century Motolite Battery Sdn Bhd, the plaintiff's Malaysian counterpart.

[11] The defendant called the following witnesses for its defence:

(a) Teoh Ah Too @ Chong Chiew Sun ('DW1') who is a director and shareholder of the defendant; and

(b) Teoh Kok Sim ('DW2') who is also a director and shareholder of the defendant. DW2 is the son of DW1.

CHRONOLOGY OF FACTS

[12] Before I turn to consider the issues, let me state briefly the factual background of this case as summarised by learned counsel for the plaintiff:

Date	Event(s)	Supporting documents
Late 1990s	Plaintiff began plans to enter the Malaysian automotive batteries market	
2000	Plaintiff began cooperating with the Defendant, whereby the Defendant purchases batteries from the Plaintiff to distribute in Malaysia	P-2, answer to Question 8

21 December 2000	Defendant registered the 'MOTOLITE' trademark under its name. This trademark was allocated trademark no. 00018517.	B1,p2
2001	Plaintiff applied to register its trademark of 'MOTOLITE' and a 'running man' device in Malaysia. In the course of pursuing its trademark application, the Plaintiff discovered that the Defendant had registered 'MOTOLITE' under its own name.	
25 January 2002	Deed of Assignment and Memorandum of Understanding signed between Plaintiff and Defendant	B1, pages 5–9
24 May 2006	Defendant placed purchase order, to order batteries from Phillipine Batteries Inc (PBI).	Purchase Order no. 0182atB1,p15; Commercial Invoice at B2, p94
18 September 2006	Defendant's 3 Purchase Orders no. 0207 (with revised copy), 0208 (with revised copy) and 0209, all for unformed batteries	B4, pages 7-12
18 June 2006	Bill of lading in respect of PO No. 0182	B2, p97
19 September 2006	Defendant is not happy with Plaintiffs new supply policy requiring purchasers to buy 50% unformed batteries and 50% wet-charged batteries.and insists that its 3 POs dated 18.9.2006 should be accepted. However, Plaintiff refused to changeits new policy.	Communications between Defendant's staff, Jasmine, communicates and Plaintiffs staff, Aileen at B3, p46
25 September 2006	Defendant continues to be concerned about the new policy, thinks ordering batteries from Ramcar Battery S/B be better than ordering from PBI. When informed that Plaintiff would not change the policy, Defendant informed that they will cancel the order under the 3 POs for now.	Plaintiff's email at B4, p15
6 October 2006	Plaintiff's bank informs Plaintiff about discrepancies in documents (in respect of shipment pursuant PO No. 0182)	Emails at B2, p102
19 October 2006	Defendant writes to Bumiputra Commerce Bank, stating that Defendant is not accepting the discrepanices in LC no. TF001M544357(in respect of shipment pursuant to PO No. 0182)	Letter at B2, p93

19 October 2006	Defendant verbally informs Plaintiff that Defendant is cancelling its order under PO No. 0i82	Conversation between Defendant's Ms Kee and Plaintiff's Ms Smarties referred to in email at B4, p14
20 October 2006	Plaintiff clarifies with Defendant that Plaintiff will be shipping back the unclaimed cargo to Manila (in respect of PO No. 0182)	Plaintiff's email at B4, p14
28 October 2009	Plaintiffs then solicitors sent letter of action to Defendant	B3, p18
9 November 2009	Defendant's solicitors' letter informing that Defendant has no knowledge of the Deed of Assignment	B3, p22
16 November 2009	Plaintiff's solicitors sends copy of DA to Defendant's solicitors	B3, p23
20 November 2009	Defendant's solicitors write to Plaintiff's solicitors enquire whether any company seal is affixed on the DA, and also requests for a copy of the MoU	B3, p29
26 November 2009	Defendant's solicitors write to Plaintiff's solicitors to inform that Defendant is now proceeding to file action against Plaintiff for breach of the MoU and negligent and/or fraudulent conduct of registering the DA with the PerbadananHartalntelek	B3, p30
30 August 2010	Plaintiff files this suit against Defendant for trademark infringement	BP, p2
5 August 2011	Defendant files application to amend its Statement of Defence and Counterclaim to include counterclaim for breach of MoU	Enclosure 15 of Court file

SUMMARY OF THE PLAINTIFF'S CASE

[13] The plaintiff is a renowned manufacturer, distributor and exporter of automotive batteries under the Ramcar Group of Companies, Phillipines, and has been producing automotive batteries bearing the trademarks of 'MOTOLITE' and a 'running man' device since the 1950s.

[14] Since 2000, the plaintiff has supplied automotive batteries to Malaysia through the defendant as its local distributor.

[15] On 10 October 2001, the plaintiff made an application to register its trademarks of 'MOTOLITE' and a 'running man' device as registered trademarks in Malaysia. A

[16] However, in the course of pursuing its trademark application, the plaintiff came to know about the defendant's application for a similar trademark, that is the words 'MOTOLITE'. This trademark was effective from 21 December 2000 and was allocated Trade Mark No 00018517 for batteries for vehicles included in Class 9. B

C

[17] In order to resolve the matter and to continue the business relationship, on 25 January 2002, the parties entered into a deed of assignment and memorandum of understanding, wherein the defendant assigned all its rights and interests in Trade Mark No 00018517 (the 'MOTOLITE' trademark) to the plaintiff and the plaintiff appointed the defendant as its local distributor of the products for five years from the signing of the memorandum of Understanding unless extended by mutual agreement. D

[18] Following the assignment, the plaintiff became the registered proprietor of Trade Mark No 00018517 (the 'MOTOLITE' trademark) for batteries for vehicles included in Class 9. E

[19] The plaintiff's own application for the trademark of 'MOTOLITE' and a 'running man' device was eventually granted on 4 February 2005, and was allocated Trade Mark No 01013397 for batteries for vehicles included in Class 9. F

[20] The agreement on distributorship under the memorandum of understanding was for a period of five years from 25 January 2002, that is 25 January 2007, unless extended by mutual agreement. As there was no such agreement to extend, the distributorship contract lapsed on 25 January 2007. G

[21] It is the plaintiff's case that after the distributorship agreement lapsed, the defendant has been infringing the plaintiffs trademarks by distributing and selling/offering for sale in Malaysia automotive batteries which bear the plaintiff's trademarks, that is 'MOTOLITE' and a 'running man' device without the permission of the plaintiff. H

[22] The plaintiff contended that by virtue of substantial sales, promotions and advertisements in Malaysia, the plaintiff has acquired substantial reputation as manufacturer and distributor of automotive batteries bearing the plaintiff's trademarks and distinctive get-up. Thus, according to the plaintiff, it is entitled to exclusive use of the same in Malaysia. I

[23] It was further contended by the plaintiff that as a result of such extensive sales, promotions and advertisements, the public has come to associate the plaintiff's trademarks and get up with the plaintiff and no other party.

[24] The plaintiff is also claiming that the defendant has sought to pass-off the defendant's automotive batteries as the plaintiff's automotive batteries.

ISSUES TO BE TRIED

[25] I now turn to the issues. The parties have agreed during case management that the issues to be tried are as follows:

(a) whether the assignment of trademark from the defendant to the plaintiff is valid in law;

(b) whether the assignment of trademark from the defendant to the plaintiff is valid in law;

(c) if question a and b are answered in the affirmative, whether the defendant has infringed the plaintiff's trademarks;

(d) whether the defendant has passed-off the plaintiff's automotive batteries; and

(e) whether the plaintiff has breached the terms of of the deed of assignment and memorandum of understanding.

TRADEMARK INFRINGEMENT

[26] The plaintiff filed this suit against the defendant for infringement of trademark and passing off.

[27] As I have stated earlier, the defendant's defence is that the instruments, through which the plaintiff was assigned the trademark by the defendant, are invalid and thus the defendant, not the plaintiff, is the rightful owner of the trademark. By way of counterclaim, the defendant seeks declaratory relief to this effect and also seeks other reliefs against the plaintiff for alleged infringement of the defendant's trademark.

[28] The defendant also counterclaims that the plaintiff had breached a distributorship agreement, under which the defendant was appointed as local distributor of the plaintiff's batteries in Malaysia.

[29] Before I proceed further, I will deal with a preliminary objection raised by the defendant's counsel. In this regard, the defendant argued that the court cannot consider as evidence the affidavit of *Minguel v Pingol (exh P3)* and the

affidavit of *Roberto v Garcia (exh P4)* submitted by the plaintiff through PW2 as this is contorary to s 73 of the Evidence Act. In relation to this, the plaintiff contended that:

(a) Section 73A of the Evidence Act 1950 which provides an exception to the rule that evidence must be tendered through a person who is called as a witness in the proceedings as follows:

> 73A Admissibility of documentary evidence in civil cases etc
>
> (1) Notwithstanding anything contained in this Chapter, in any civil proceedings where direct oral evidence of a fact would be admissible, *any statement made by a person in a document and tending to establish that fact shall, on production of the original document, be admissible as evidence of that fact* if the following conditions are satisfied:
>
> (a) if the maker of the statement either:
>
> (i) had personal knowledge of the matters dealt with by the statement; or
>
> (ii) …
>
> And
>
> (b) if the maker of the statement is called as a witness in the proceedings:
>
> (ii) Provided that the condition that the maker of the statement shall be called as a witness need not be satisfied if he is dead, or unfit by reason of his bodily or mental condition to attend as a witness, *or if he is beyond the seas and it is not reasonably practicable to secure his attendance*, or if all reasonable efforts to find him have been made without success.

[30] In this present case, both these witnesses were overseas in the Philippines and have deposed in their affidavits that they could not come at short notice to give evidence in person, due to the late amendment to the defendant's statement of defence two weeks before the trial.

[31] In the light of the above reasons, I am satisfied that the pre-requisites in s 73A of the Evidence Act as to the admission of these affidavits of *Roberto v Garcia*, marked exh P4 and the affidavit of *Miguel v Pingol*, marked exh P3 have been fulfilled in accordance with s 73A of the Evidence Act and they can be taken into account as part of the evidence before this court.

VALIDITY OF THE DEED OF ASSIGNMENT

[32] The defendant submitted that the deed of assignment dated 25 January 2002 is not valid and effective in law as it was not duly executed with the common seal in accordance with the defendant's resolution dated 29 october

2001 (bundle B3 p 1), and thus the defendant remained as the owner of the first Motolite trademark until 21 December 2010.

[33] Further, it was submitted by the defendant that there is no evidence given by the plaintiff that the execution of the deed of assignment by the plaintiff is valid and the said single signatory is duly authorised. In relation to this point, learned counsel for the defendant referred to Table A art 96 of the Fourth Schedule of the Companies Act 1965 which provided the legal requirement when common seal is affixed. The defendant contended that the instrument is invalid as it was attested by one person.

[34] In response, the plaintiff contended that the deed of assignment is valid as the 'indoor management rule' and the doctrine of apparent authority apply in the present case.

[35] The 'indoor management rule' was laid down in *Royal British Bank v Turquand* [1843–60] All ER Rep 435 and accepted by the Federal Court in Malaysia in *Pekan Nenas Industries Sdn Bhd v Chang Ching Chuen & Ors* [1998] 1 MLJ 465. The rule provides that outsiders dealing with a company in good faith are entitled to assume that acts within the company's constitution and powers have been properly performed, and these outsiders are not bound to inquire whether acts of internal management have been regular.

[36] The effect of the *Turquand*'s case was explained by the Federal Court in the case of *Pekan Nenas Industries Sdn Bhd* as follows:

> At this point, would interpolate to observe that the effect of the rule in *Turquand*'s case is that it reduces the enquiries which outsiders having dealings with a company — or more correctly outsiders who reasonably think they are having dealings with a company — must make, which, of course promotes business convenience. Such outsiders have no right to insist on proof by the company's directors that the provisions of its memorandum or articles have been complied with, and they cannot therefore be deemed to have constructive notice of some failure to comply which they have no means of discovering (*County of Gloucester Bank v Rudry Merthyr Steam and House Coal Colliery Co* [1895] 1 Ch 629 at p 636, per Lindley LJ) and it is this which provides the legal basis for the rule.
>
> In *Turquand*, the deed of settlement corresponding to the modern articles of association) had given permission to borrow subject to a general resolution of the company authorising the same. The bank had lent money to the company upon the security of a bond signed by two directors and given under the seal of the company. In an action brought by the bank to recover the money lent, the company had contended that no resolution of the kind required had been passed. In reply, the lender relied on the usual authority of directors. The Court of Exchequer Chamber held that the lender was entitled to succeed; this was because the company was bound by the contract since the bank was entitled to infer that the necessary resolution had been passed.

[37] In this present case, I am of the view that although the defendant's Director's Circular Resolution in writing require the defendant's common seal to be affixed in the presence of two of the defendant's directors or a director and the defendant's secretary, the plaintiff is not required in law to enquire whether such requirements or the defendant's internal management procedures (be it its memorandum, articles of association or directors' resolutions), have been complied with at the time of the execution of the deed of assignment and MOU.

[38] In this regard, to my mind, the plaintiff would not be in the position to know or would be aware that the defendant's common seal was affixed in accordance with the defendant's resolution dated 29 October 2001 as this is an internal matter of the defendant.

[39] On the issue raised by the defendant that the defendant's sole signatory was not duly authorised to executed the deed of assignment, the plaintiff submitted that the doctrine of apparent authority enables an outsider to enforce a contract entered into by a company's agent who appears to, but does not, have actual authority to bind the company.

[40] The principle of apparent or ostensible authority was explained by the Federal Court in the case of *Chew Hock San & Ors v Connaught Housing Development Sdn Bhd* [1985] 1 MLJ 350. Delivering the decision of the Federal Court, Syed Agil Barakbah FJ, (as he then was) said that:

> The legal position of a company or a corporation is that being a fictitious person it can only do any act which includes making a representation through its agents or servants. The capacity of such a company is limited by its memorandum and articles of association. In other words, it can act within the ambit of the powers or provisions expressly provided in the memorandum and articles of association. In the ordinary course of business, a third party when entering into a contract with a company normally relies on the authority of an agent of the company.
>
> Now, the difference between an actual and an apparent or ostensible authority and the principles applicable thereto are adequately explained by Diplock LJ in *Freeman & Lockyer v Buckhurst Park Properties (Mangal) Ltd* [1964] 2 QB 480, 502–504 from p 502 – p 504 as follows:
>
> > It is necessary at the outset to distinguish between an 'actual' authority of an agent on the one hand, and an 'apparent' or 'ostensible' authority on the other. Actual authority and apparent authority are quite independent of one another. Generally they co-exist and coincide, but either may exist without the other and their respective scopes may be different. As I shall endeavour to show, it is upon the apparent authority of the agent that the contractor normally relies in the ordinary course of business when entering into contracts.

> An 'actual' authority is a legal relationship between principal and agent created by a consensual agreement to which they alone are parties. Its scope is to be ascertained by applying ordinary principles of construction of contracts, including any proper implications from the express words used, the usages of the trade, or the course of business between the parties. To this agreement the contractor is a stranger; he may be totally ignorant of the existence of any authority on the part of the agent. Nevertheless, if the agent does enter into a contract pursuant to the 'actual' authority, it does create contractual rights and liabilities between the principal and the contractor …
>
> An 'apparent' or 'ostensible' authority, on the other hand, is a legal relationship between the principal and the contractor created by a representation, made by the principal to the contractor, intended to be and in fact acted upon by the contractor, that the agent has authority to enter on behalf of the principal into a contract of a kind within the scope of the 'apparent' authority, so as to render the principal liable to perform any obligations imposed upon him by such contract. To the relationship so created the agent is a stranger. He need not be (although he generally is) aware of the existence of the representation but he must not purport to make the agreement as principal himself. The representation, when acted upon by the contractor by entering into a contract with the agent, operates as an estoppel, preventing the principal from asserting that he is not bound by the contract. It is irrelevant whether the agent had actual authority to enter into the contract.
>
> In ordinary business dealings the contractor at the time of entering into the contract can in the nature of things hardly ever rely on the 'actual' authority of the agent. His information as to the authority must be derived either from the principal or from the agent or from both, for they alone know what the agent's actual authority is. All that the contractor can know is what they tell him, which may or may not be true. In the ultimate analysis he relies either upon the representation of the principal, that is, apparent authority, or upon the representation of the agent, that is, warranty of authority.

[41] In the light of the evidence adduced, the defendant had held DW1 out and permitted him to represent it. It is apparent from the evidence of DW1, that he was very much the alter ego and was at the forefront of the management of the defendant company at the material time.

[42] The permission to act for the company is conclusively evidenced by the said Directors' Circular Resolution in writing which stipulates that Mr Teoh Ah Too @ Chong Chiew Sun (CS Chong) (DW1) is authorised to execute the MOU on behalf of the defendant (see B3, p1) and that approval is given for the defendant to 'assign all rights, benefits, title and interest' in the trademark, thus showing the defendant's full intention to effect the assignment.

[43] In the light of the above evidence, in my view, the plaintiff had relied upon that representation and executed the deed of assignment with the defendant.

[44] The defendant also submitted that the only consideration for the deed of assignment given by the plaintiff to the defendant was the appointment of distributorship. And since the distributorship commenced in year 2000, it was past consideration and not good consideration, thus the deed of assignment is invalid.

[45] On this issue, I accept the plaintiff's submission that although the defendant had acted as the plaintiff's distributor since year 2000, the MOU itself had provided for distributorship for a period of five years from the signing of the MOU (see cl 3 of the MOU at B1, p8). The consideration in the form of distributorship commenced on 25 January 2002, and as the defendant itself contends, the MOU expires on 25 January 2007, it cannot therefore be past consideration as contended by the defendant.

[46] In any event, I am of the view that the past consideration is recognised under law, in particular s 2(d) of the Contracts Act 1950, as interpreted by the Privy Council in *Kepong Prospecting Ltd & Ors v Schmidt* [1968] 1 MLJ 170, where Lord Wilberforce, delivering the judgment of the Privy Council held as follows, at p 173:

> Their Lordships agree with the Federal Court in holding that this establishes a legally sufficient consideration moving from Schmidt … Services rendered after incorporation but *before the date of the agreement* (ie past consideration), can under the law of Malaysia, validly amount to consideration for an agreement to pay, since s 2(d) of the Contracts (Malay States) Ordinance (No 14 of 1950) (now Contracts Act) expressly provides for this; in point or fact there is no doubt that such services were rendered … Sufficient consideration is therefore established. (Emphasis added.)

[47] It was also argued by the defendant that the validity of the assignment of the trademark to the plaintiff is also subject to the due performance of the contract terms under the memorandum of understanding dated 25 January 2002 between the parties. In relation to this, the defendant submitted that the plaintiff has failed/refused to supply any battery to the defendant after September 2006. Thus, the defendant submitted that there is a clear refusal by the plaintiff to perform its promise in its entirety and therefore the contract may be put to an end by the defendant. In support of its contention, the defendant relied on s 40 of the Contracts Act 1950 (see Appendix Item No 12).

[48] In this regard, the defendant argued that the non supply of the batteries by the plaintiff after September 2006 was due to the discrepancies in the documentation for the June 2006 purchase order.

[49] The defendant also contended that there was an understanding with Mr

Garcia that so long as the defendant was made the sole distributor in Malaysia and the business relationship continued, the defendant 'would not abuse it', and would be ready to re-assign it 'with the aforesaid consideration/condition' (ie the distributorship term in the MOU being extended). As such, the defendant contended that the deed of assignment was contingent upon the defendant being entitled to have the distributorship being extended so long as it required it.

[50] It is pertinent to note that the deed of assignment which is a contemporaneous document does not mention anything about the deed of assignment being subject to the defendant being made the sole distributor in Malaysia and/or the business relationship continuing beyond the five year term stipulated in the MOU. Thus, I find that there is no credible ground to conclude that the MOU is invalid.

THE DEFENDANT ALTERNATIVE CONTENTION

[51] In respect of the defendant's alternative contention that the plaintiff has breached the MOU, the defendant based its case on an alleged failure of the plaintiff to supply to the defendant during the five-year term of the MOU that is between 25 January 2002–25 January 2007, in that the plaintiff had stopped supplying after September 2006.

[52] In this regard, I find that there is no merit in the defendant's contention. The defendant last placed an order on 18 September 2006 (bundle B4, pp 7–12) for unformed batteries. However, this shipment was not eventually delivered to the defendant because the defendant could not agree with the plaintiff's new supply policy requiring purchasers to buy 50% unformed batteries and 50% wet-charged batteries. In fact, the defendant itself had asked to cancel the orders as it disagreed with the plaintiff's new supply policy (see exh P5, at B4, p15).

[53] From the above reasons, it seems to me that the plaintiff was not in breach of the MOU when it refused to supply the batteries after September 2006. Thus, there is no merit in the defendants counterclaim.

[54] I am satisfied that the evidence shows that the defendant simply could not agree to the terms imposed on it to take 50% formed and 50% unformed batteries after this time, and decided not to procure batteries from the plaintiff after this date.

[55] It is pertinent to note that the deed of assignment which is a contemporaneous document does not mention anything about being subject

to the defendant being made the sole distributor in Malaysia and/or the business relationship continuing beyond the five year term stipulated in the MOU.

[56] On this issue the defendant supported its facts with the oral evidence of its witnesses. The defendant has not adduced contemporaneous documentation to prove the existence of this alleged meeting or the new MOU.

[57] Thus, the irresistible conclusion that can be drawn is that if the defendant had really signed the new MOU, it is improbable that DW1, who was the executive chairman of Watta Holding Bhd (then one of the leading manufacturers of car batteries in Malaysia), would not then ensure that the defendant gets a copy of the signed MOU.

[58] It follows therefore that the deed of assignment was immediately effective upon signing, and the plaintiff became the proprietor of Trademark No 18517, with effect from 25 January 2002. The register of transfer is in bundle B1, at p 43.

WHETHER THE DEFENDANT INFRINGED THE PLAINTIFF'S TRADEMARK

[59] It is the plaintiff's case that the defendant had infringed the plaintiff's trademark by using the trademark on the defendant's own batteries for vehicles.

[60] Section 35(1) of the Trade Marks Act 1976 ('the Act') provides:

> Subject to the provisions of this Act, the registration of a person as registered proprietor of a trade mark (other than a certification trade mark) in respect of any goods or services shall, if valid, give or be deemed to have been given to that person the exclusive right to the use of the trade mark in relation to those goods or services subject to any conditions, amendments, modifications or limitations entered in the Register.

[61] Under s 36 of the Act, the fact that a person is registered as proprietor of the trademark shall be prima facie evidence of the validity of the original registration of the trademark and of all subsequent assignments and transmissions thereof.

[62] Further, s 38(1) of the Act provides on how infringement may arise:

A registered trade mark is infringed by a person who, not being the registered proprietor of the trade mark or registered user of the trade mark using by way of permitted use, uses a mark which is identical with it or so nearly resembling it as is likely to deceive or cause confusion in the course of trade in relation to goods or services in respect of which the trade mark is registered in such a manner as to render the use of the mark likely to be taken either:

(a) as being use as a trade mark

[63] The Supreme Court in the case of *Tohtonku Sdn Bhd v Superace (M) Sdn Bhd* [1992] 2 MLJ 63; [1992] 2 CLJ 1153; [1992] 1 CLJ (Rep) 344 stated that a registered trademark is infringed by a person who uses a mark which:

(a) is identical with it; or

(b) so nearly resembling it as it is likely to deceive; or

(c) so nearly resembling it as likely to cause confusion.

[64] Thus the defendant's mark clearly causes confusion in the course of trade in relation to batteries for vehicles, and the mark was used by the defendant on its batteries.

[65] It is my finding that the marks used on the defendant's battery obtained through the trap purchase resembles the plaintiff's marks in the following manners:

(a) the word 'MOTOLITE' in block letters;

(b) the word 'MOTOLITE' is white in color, with a red base;

(c) a device of a well-built man in a running position;

(d) the device is black with a white outline;

(e) a logo of five molecules with the word EGX; and

(f) the word 'MOTOLITE' is in the upper position and the 'running man' device is placed under the word 'MOTOLITE'.

[66] The defendant tried to offer an explanation to the counterfeit battery that was discovered via the trap purchase in August 2009, by claiming that 'it has to keep stock to be served as replacement to the purchase of the Plaintiff's previous batteries from the Defendant's store as warranty is usually provided for such product …'. However DW2 had admitted in evidence that the battery purchased from the defendant's shop was not an old stock of the plaintiff's battery, but instead a counterfeit from the defendant affixed with the plaintiff's trademark. Hence, in my view, there is no merit in the defendant's contention.

Thus, the defendant's counterclaim is dismissed with costs.

PASSING OFF

[67] In its statement of claim, the plaintiff alleged that the defendant since at least 2009, has been distributing and selling or offering for sale in Malaysia automotive batteries which bears marks and get-up which are strikingly similar or identical to the plaintiff's mark and get-up that is likely to cause confusion in the cause of trade amongst public.

[68] Under the tort of passing off, what is sought to be protected by the plaintiff is the goodwill generated by the use of the Proton trademarks and the Get-Up. This right is preserved in s 82(2) of the Act.

[69] The principle of law regarding passing off was discussed in the case of *Seet Chuan Seng & Anor v Tee Yih Jia Foods Manufacturing Pte Ltd* [1994] 2 MLJ 770; [1994] 3 CLJ 7, where the Supreme Court held that:

> The principle of law regarding passing off has been plainly stated by Lord Parker in *Spalding v Gamage* 84 LJ Ch 449 'and that is, that nobody has any right to represent his goods as the goods of somebody else'. It is therefore wrong for a trader to conduct his business as to lead to the belief that his goods or business is the business of another. For an authority on passing off, we could do no better than to quote the words of Lord Diplock in the leading speech in *Erven Warnink v Townend & Sons (Hull) Ltd: My Lords, AG Spalding & Bros v AW Gamage Ltd,* 84 LJ Ch 449 and the later cases make it possible to identify five characteristics which must be present in order to create a valid cause of action for passing off:
>
> > (1) a misrepresentation (2) made by a trader in the course of trade, (3) to prospective customers of his or ultimate consumers of goods or services supplied by him, (4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence) and (5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a quia timet action) will probably do so.
>
> In an action for passing off, damage is also an essential element of the tort and it is necessary for the plaintiff to establish that he has suffered damage. However, if the goods in question, as in this case, are in direct competition with one another, the Court will readily infer the likelihood of damage to the plaintiff's goodwill through loss of sales and loss of the exclusive use of his name.

[70] The first element which needs to be established in a passing off action is goodwill. The goodwill is relevant in a passing off action is not in the mark, logo or get up. It is the goodwill between a trader and his customers which is protected by this tort. Lord Parker of Waddington in *AG Spalding & Bros v AW Gamage Ltd* [1914–15] All ER Rep 147, at p 150; (1915) 32 RPC 273, at p 284 said:

> There appears to be considerable diversity of opinion as to the nature of the right, the invasion of which is the subject of what are known as passing-off actions. The more general opinion appears to be that the right is a right of property. This view naturally demands an answer to the question-property in what? Some authorities say property in the mark, name, or get up improperly used by the defendant. Other say, property in the business or goodwill likely to be injured by the misrepresentation. Lord Herschell in *Reddaway v Banham LR* [1906] AC 139 expressly dissents from the former view; and if the right invaded is a right of property at all, there are, I think strong reasons for preferring the latter view.

[71] However, it is my finding that the plaintiff has not adduced any credible evidence through any of its witnesses, that it has acquired reputation and goodwill in respect of the trademarks and get-up and has caused the trade mark and get-up to become exclusively associated or identified with and referable only to the plaintiff. Also no evidence of sales promotions or advertisements of the plaintiff's trademark and get-up was adduced by the plaintiff.

[72] Thus, I am satisfied that the plaintiff has failed to established an act of passing off of the plaintiff's trademark or get-up by the defendant. Hence, the plaintiff's claim in respect of passing off is dismissed with costs.

CONCLUSION

[73] In conclusion, based on the above reasons, it is my finding that the plaintiff is the legal owner of the trademark through the deed of assignment. Further, the defendant had infringed the plaintiff's trademark by using the plaintiff's trademark on its own batteries for vehicles.

[74] Thus, the plaintiff's claim for trademark infringement is allowed with costs. Accordingly, the defendant's counterclaim is dismissed with costs.

[75] However, the plaintiff's claim for passing off is dismissed with costs.

Plaintiff's claim for trademark infringement allowed with costs but claim for passing off dismissed with costs; and defendant's counterclaim dismissed with costs.

Reported by Kohila Nesan